Global Marine Inc.
Presentation Before the Oil Analysts Group of New York
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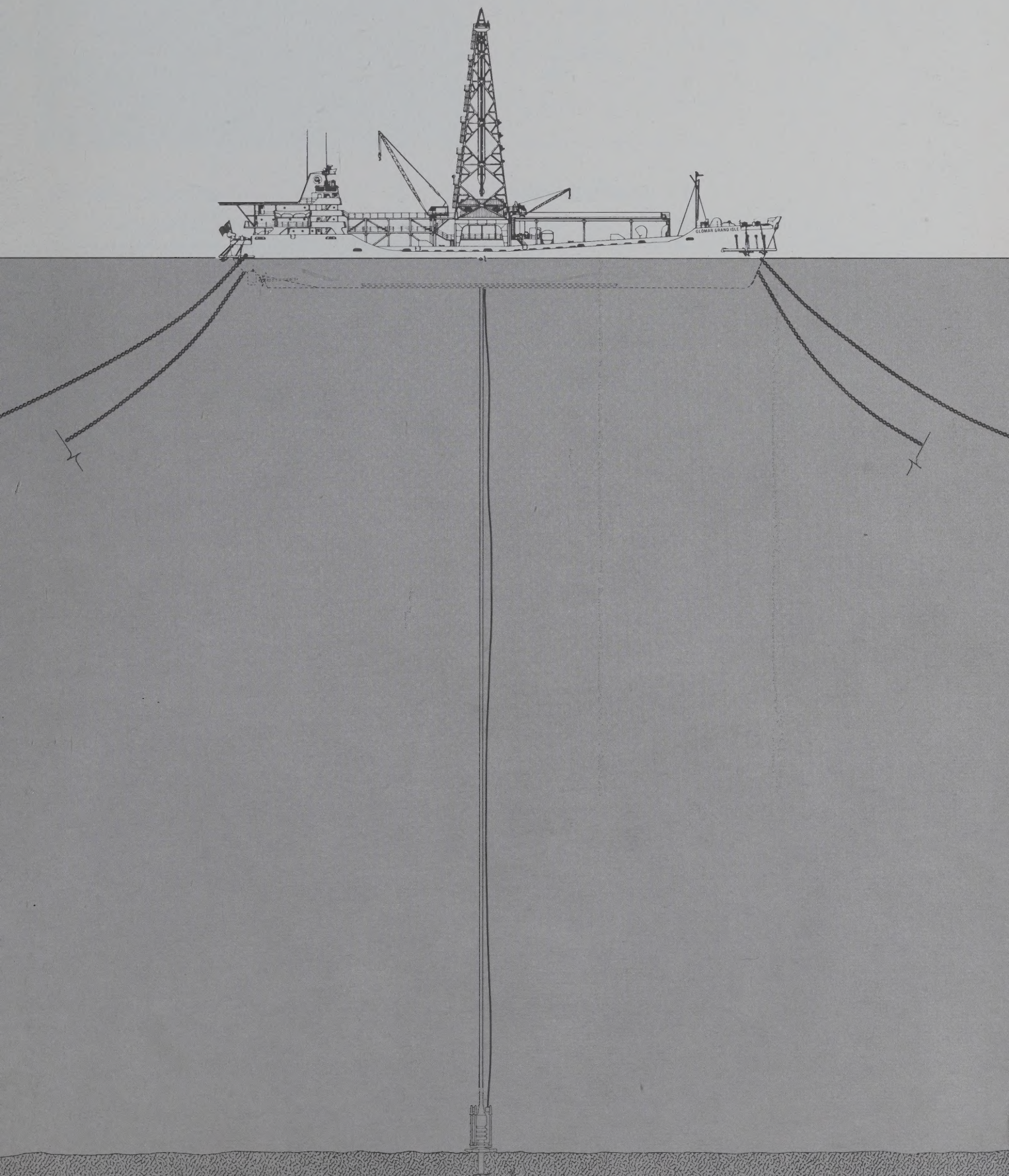


R. F. BAUER, CHAIRMAN

Good morning. It is a pleasure to meet with you today. Global Marine has not appeared before this group in some time, so we are delighted to have this opportunity to bring you up to date. We think our Company has undergone significant changes in the last two years, and we plan to be as specific as possible in describing these changes.

I intend to provide a brief overview, then go into some detail on the offshore drilling segment of our business. A. J. Field, Global Marine president, will address his remarks to two areas: our oceanographic and diversification activities and our financial performance.

For openers, let me say that Global Marine is better positioned for growth today than it has been since the company was organized in 1959. There are several reasons.

First, offshore drilling is a good business today. You know as well as I that the search for oil and gas around the world is accelerating. The submerged land areas of the world represent the primary target of this search. As a result, the demand for drilling services is high. We see no diminution in this demand, at least for the foreseeable future. In addition, our fleet of self-propelled ships is fully utilized, and a new ship begins generating revenue this month.

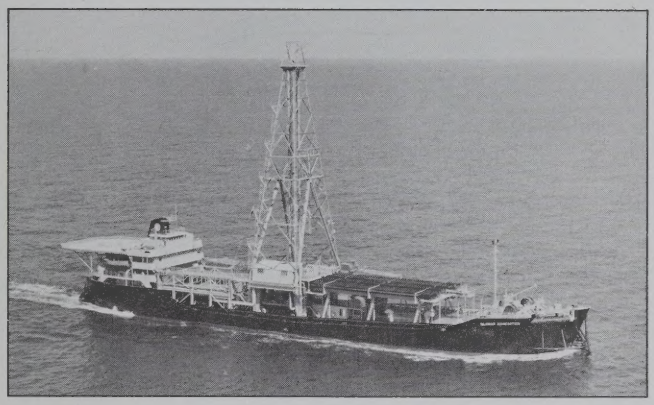
Second, the capabilities of our crews and ships, in terms of efficient performance, are better than ever.

Third, our investment in diversification is beginning to pay off. This past year, in fact, activities other than oil drilling accounted for more than 30 per cent of revenue. In addition, many of the projects, although not yet producing revenue, are moving steadily in that direction.

Fourth, our financial position is strong. Cash flow is more than adequate to finance our business and handle our debt repayment schedule.

Fifth, a service company is only as good as its people. And we think we have one of the strongest teams in the industry.

Basically, those are the subjects we want to talk about today. Let's look at them one at a time.



GLOBAL MARINE FLEET

Glomar Grand Isle
Glomar Conception
Glomar Challenger
Glomar Grand Banks

Length	400
Beam	65
Draft	21
Displacement (Tons)	11,200

Glomar Sirte
Glomar Tasman
Glomar North Sea

Length	380
Beam	64
Draft	19
Displacement (Tons)	9,550

Glomar II
Glomar III
Glomar IV
Glomar V

Length	268
Beam	58
Draft	15
Displacement (Tons)	5,500

OFFSHORE DRILLING

First, offshore drilling. Global Marine has been a pioneer in this business since the Company was organized. As you probably know, we grew out of a joint venture of four major oil companies.

Our mission was to develop the technology of drilling in deep water from floating vessels and structures which included such devices as semi-submersible barges and ships. That was in the late '50s. Eventually we emerged as an independent company, with limited financial resources. We had only one major piece of equipment, a converted drilling barge called the *Cuss I.*

Today we own and operate eleven major drilling ships. Our latest vessel, the *Glomar Grand Banks,* was christened just a few weeks ago. It will soon head into the Gulf of Mexico to drill for Humble Oil & Refining Company.

The other ten ships are located around the globe. In the North Sea, four of our rigs are currently drilling. The *Glomar III* for Hamilton Brothers; *Glomar IV* for the Quintana Group, in which we have a 10 per cent interest, the *Glomar V* for Mobil Oil Corp; and the *Glomar Grand Isle* for Esso off the coast of Norway. Not far away, the *Glomar North Sea* is drilling for Marathon Oil Co. in the Celtic Sea. It made a significant gas discovery there last year.

On the opposite side of the world, we have two ships working offshore Australia: the *Glomar Conception* in the Bass Strait for Esso and the *Glomar Tasman* off the northwest coast for the Burmah Group. In the Indian Ocean, the *Glomar Sirte* is drilling for Shell Oil Co. off Malta, and the *Glomar II* is working offshore Peru for Tenneco/Union.

Three of these ships are under contracts expiring in 1974 or later, five have contracts terminating in 1973 and three will have contracts ending later this year. Regarding contracts expiring in 1972, two are subject to extension options, and we have good prospects for the third.

The Fleet

These ships fall into three classes, all of which can operate in water 600 feet deep and to depths of 25,000 feet. The newest group dates back to 1967, when the *Glomar Grand Isle* was completed. We have made a number of equipment improvements in this latest vessel, but essentially it is the same as the others in its class. We did this because ships of the *Glomar Grand Isle* class have performed extremely well over the last 5 years.

These ships have a low profile hull. This configuration, combined with heavy weight for their size, results in minimum motion when drilling. They have a remarkable lack of angular motion, even in heavy seas. In fact, the ship is so laid out that the main deck can be awash in storm action without disrupting drilling activities.

These ships can cruise at 11 knots, fully loaded. And they can maneuver some tricky waterways, including the Straits of Magellan. Global Marine ships represent years of naval architectural analysis, hydrodynamics and wave tank testing. We do all our own design, unlike some of our competitors. This is a highly specialized business, and we feel we're better qualified to engineer our requirements than an outside firm.

The three ships in our intermediate *Glomar Sirte Class* were put to work beginning in 1965. We have modified these vessels so that the drilling equipment is now operated through diesel-electric power. They can cruise fully loaded at better than 10 knots.

The *Glomar II,* built in 1962, was the first self-propelled drilling ship designed and built from the keel up for offshore drilling. She was the first of four ships built in this class. Although somewhat smaller than the two newer classes, these ships are very self-sufficient and economical. Obviously they are better suited to the middle latitudes, where weather is more mild. But their equipment has been continuously improved over the years, and today they are operating more efficiently and economically than they did when they were brand new.

DRILLING VESSEL MOBILITY SUMMARY
Thru 1971

GLOMAR CONCEPTION (August 1967) 28 wells		GLOMAR GRAND ISLE (December 1967) 24 wells		GLOMAR IV (March 1965) 32 wells	
VOYAGE:	DISTANCE	VOYAGE:	DISTANCE	VOYAGE:	DISTANCE
Galveston to New Guinea	10,334	Galveston to Senegal	4,436	Galveston to British North Sea	5,035
New Guinea to W. Australia	2,687	Senegal to Norway	3,382	England to Nigeria	4,472
W. Australia to Mozambique	4,662	Norway to Morocco	2,320	Nigeria to U.K./Denmark	4,472
Mozambique to Indonesia	4,828	Morocco to Norway	2,320	Denmark to Spanish Sahara	2,273
Indonesia to West New Guinea	1,900	Norway to Morocco	2,320	Spanish Sahara to Nigeria	2,199
West New Guinea to Singapore	2,508	Morocco to Norway	2,320	Nigeria to U.K.	4,643
Singapore to Bass Straits, Australia	4,058	Norway to Turkey (Black Sea)	3,684	U.K. to Cameroon	5,015
		Turkey (Black Sea) to Italy	1,058	Cameroon to Senegal	1,981
		Italy to Norway	3,321	Senegal to Spain (Mediterranean)	1,979
		Norway to Morocco	1,959	Spain to Gabon	3,958
TOTAL: 30,977		TOTAL: 27,120		TOTAL: 36,027	

Fig. 1

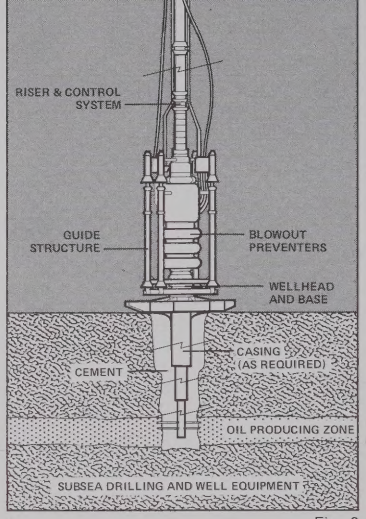


Fig. 2

The Case for the Drillship

You're familiar with the four basic types of rigs: jack-ups, semi-submersibles, barges and ships. Obviously Global Marine is a believer in ships. We developed the concept. We've lived with it and improved it over the years.

Capacity is a good reason. The drilling ship has many times the storage capacity of other rigs. Why is this an advantage? Because extra supplies of mud, chemicals, cement or parts can sometimes save the day in event of high pressure or difficult hole conditions. As perhaps you know, the skilled use of drilling mud is the primary method for preventing blow-outs. Capacity can also allow a ship to continue operating when bad weather prevents supply boats from unloading.

Mobility is another big factor. A ship can move unassisted in any weather, fully loaded, and in operational condition. The *Glomar IV,* for example, has drilled 32 wells, made 10 major moves and travelled more than 36,000 miles. (Fig. 1)

A ship is anchored more easily than competitive units. And it can tolerate difficult sea conditions, such as long-period waves, better than other rigs.

My case for the drilling ship is made complete by talking about safety. The hull of a drilling ship is a structurally integral unit that can take a lot of punishment — from weather, impact from supply boats or other external forces. That's why our ships have a no-loss record with Lloyd's of London.

Improved Drilling Performance

It is also worth noting that ship performance has improved significantly in the last three years. There are several reasons. First, let's look at drilling operations.

New and better equipment have contributed substantially to improved drilling operations. Fortunately, equipment manufacturers have finally caught up with offshore drilling technology. For years we had to design and build most of our equipment. It was simply not available elsewhere.

Now this is changing. Take subsea systems. Today we have equipment that is reliable and fast. And as we move into deeper water, the advantages of subsurface completions will magnify.

Blowout preventers, which are giant valves that seal off a well, are now very sophisticated — and very expensive. They make our work safer, and also prevent pollution. Installed on the floor of the ocean, they are commonly used on all of our ships. (Fig. 2)

You're familiar with the riser, which is the conduit that houses the drill string from ship to ocean floor. Today risers can be run quickly, latched simply and reliably and carry control systems simultaneously.

Drill pipe is handled more efficiently by means of automated pipe rackers.

New guidance devices and electronic pingers help locate a well site following a storm, whenever a ship must temporarily be disengaged from the well head.

Another big improvement is high volume burners for performing production tests. These new units are a true breakthrough in terms of both efficiency and safety. We have this equipment installed on every unit in our fleet.

Weather, as you know, is a key factor affecting our operations. And today we are better equipped to forecast it accurately than we were only a few years ago. Much of this reflects new instrumentation, better techniques and more-finite measuring systems.

In fact, every aspect of drill ship operations is far more sophisticated today. This includes new oil and gas sensing systems, vessel positioning indicators and mooring instrumentation. Factors such as drilling mud quality, drilling breaks, geologic formation change, vessel heave, sea conditions and weather are now monitored scientifically — reducing the chance of human error.

Mooring Systems

The second major factor affecting ship performance in the last few years is improved mooring systems.

Global Marine has played a key role in developing new mooring equipment and procedures. Not only for our own units but for the entire industry. We have participated in revising metallurgical standards for chain manufacture, influenced chain fabrication pro-

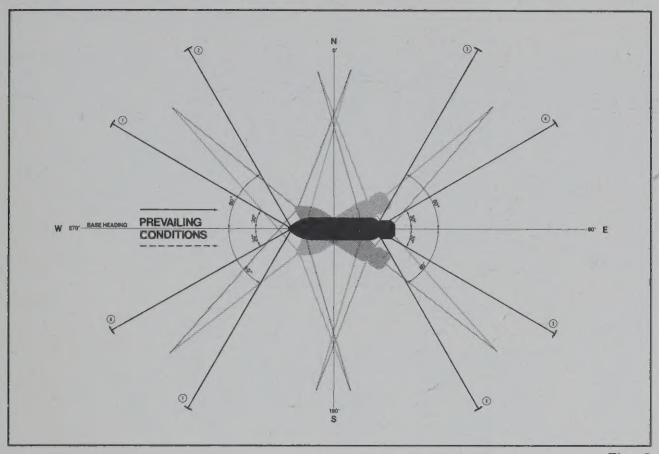


Fig. 3

cedures and quality control, studied chain behavior and adopted rigid procedures for laying chain. We have also pioneered chain inspection and maintenance techniques.

In the last few years, the most significant development in mooring is the rotating of a ship to the weather, without moving anchors. The purpose of this maneuver is to allow a ship to continue drilling during a storm. Rotating the vessel reduces the impact of wind and waves and prevents excessive tension on mooring lines, which might otherwise fail. It also minimizes the motions of the ship. (Fig. 3)

The state of the art is constantly being improved. We have developed a number of sophisticated devices to measure mooring forces. This used to be largely a question of human judgement. Now we have a system designed that will allow a ship-board computer to read tension in each line and calculate necessary adjustments.

In the last two years, we have used ship rotation extensively, especially in stormy areas. For example, rotation was used over one hundred times by the *Glomar Sirte* in 1970 off Argentina.

The ship performed very well despite storms with winds over 100 miles an hour. Throughout the year, it drilled eight wells, completed two others, and waited on weather only 8 per cent of the time. Similarly, the *Glomar III* drilled throughout 1969 in the turbulent Bass Strait with only 9 percent waiting on weather, despite winds that frequently blew at 60 mph and seas of 20 to 30 feet.

Also in the North Sea, ship rotation is effective because a vessel can face either bow or stern into a storm. The *Glomar Grand Isle,* for example, performed extremely well during its 6-month stay in the North Sea. It drilled seven wells, with only 8.4 per cent waiting on weather.

The following year, the same ship had an exceptionally good record of both mobility and productivity. It drilled eight wells off five countries in four different bodies of water. And its average downtime for weather was only 2.5 per cent.

In summary, our ships are performing better than ever for four reasons:

— They are better equipped to stay over the hole and keep drilling.
— They are better manned and managed.
— Rotation has made them more flexible in severe weather.
— Well testing equipment and procedures are much improved.

The Future of Offshore Drilling

Now, what do we see in the future? We think the prospects for continued demand are very good.

This is not to say, however, that there will not be a few wrinkles along the growth curve. This industry has been cyclical in the past, and it will continue to be. As you well know, there is much talk about an oversupply of rigs by 1974 or 1975. And I think there's something to it. But it will be temporary. I'm convinced of that. And even when it does happen, I think Global Marine will be less affected than most of our competitors.

For one thing, we have economics in our favor. Ships are much cheaper to build and operate. We also have flexibility and mobility in our favor. If there's a glut, I think it will probably occur in the winters, when some of the semis being built for the North Sea will be idle. And that's where we have an advantage. Our ships can pull out when the going gets rough and move quickly to calmer climates. In fact, that's exactly what happened to us in the last two years. We have probably done as much drilling in the North Sea as anybody else. But mostly from spring to fall. In winter our ships were employed in other areas, such as the Mediterranean.

These are some of the reasons we will continue to build ships, rather than structures. In fact, we have probably done more studies and tank testing on semis than ships. We remain convinced that the ship is the safest way to cope with the sea. Especially the way we build them. Also, their cost of construction is only half that of the newer semis, roughly $12-13 million versus $25-30 million.

That briefly covers the highlights of our contract oil and gas drilling business.

OCEANOGRAPHIC DRILLNG, ENGINEERING AND RELATED SERVICES

A. J. FIELD, PRESIDENT

As Bob mentioned, the offshore drilling business is cyclical. That was the reason that back in 1967 we made the decision to diversify. We did not want to be totally reliant on revenue from one market. Additionally, we could see unique opportunities to apply our specialized skills and experience. Over the years we had developed a considerable backlog of knowledge in several areas such as (1) handling heavy work in deep water, (2) pioneering in difficult environments, such as the Arctic, (3) knowing how to do business in more than 40 countries around the world, and (4) exploring the deep ocean floor.

With that background, we decided to address our attention to four primary areas: (1) equity participation in oceanic natural resources; (2) specialized engineering services, or what might be called offshore software; (3) specialized hardware services to the offshore industry; and (4) specific concentration on the Arctic.

That was five years ago. How have we done? We believe we have made a lot of progress. Revenue generation was slow in coming, but the kinds of projects we're talking about take time to develop.

Today, however, we are seeing good growth in revenue. We're also seeing strong progress toward additional sources of revenue.

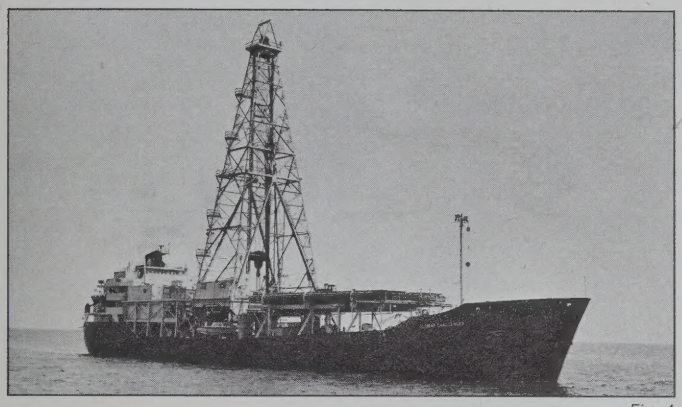


Fig. 4

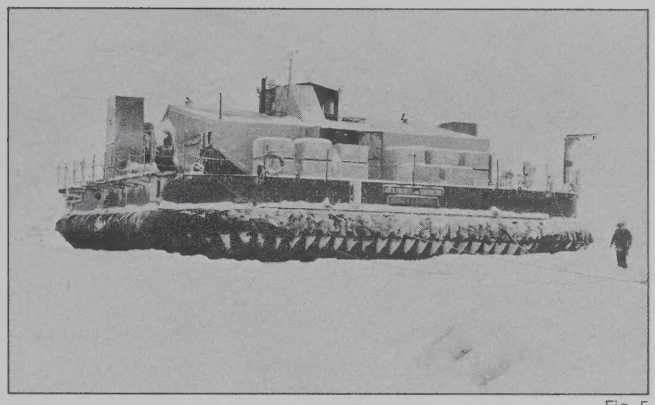


Fig. 5

Deep Sea Drilling Project

One of our first major projects outside the oil industry was the Deep Sea Drilling Project. From the time our *Glomar Challenger* (Fig. 4) was christened in 1968, it has been under contract with Scripps Institution of Oceanography. Funds come from the National Science Foundation. To date, the ship has travelled well over 100,000 miles and drilled 353 holes at 230 sites around the world. From the scientific standpoint, the program has been acclaimed worldwide. In fact, textbooks on geology and the origins of the earth are being rewritten to reflect these findings.

From Global Marine's standpoint, this has been a very successful contract. The ship has been generating a steady flow of revenue for nearly four years. And the contract has been extended for another three years.

We have gained invaluable knowledge on drilling in very deep water. For example, the ship's dynamic positioning allows it to hold position in the open sea for long periods of time. As we go into deeper water, the method will become economically important for oil drilling.

Deep Ocean Mining Project

Another big factor in the growth of our diversification program is the Deep Ocean Mining Project. Global Marine is the program manager for the Hughes Tool Company on this project, which is aimed at recovering mineral resources from the ocean floor. The project began two years ago, when we modified our *Glomar II* drill ship and performed certain tests in the Pacific Ocean. Since that time we have been designing and supervising the construction of a 600-foot long prototype mining ship. The ship is scheduled to be operating late in 1973.

The Hughes program is a very significant generator of revenue and income. It accounted for 17 per cent of operating revenue in 1971, and 34 per cent of pretax income before certain charges. This contract's contribution to our income is expected to be greatest during the period prior to completion and testing of the ship.

This ship will include several important innovations in heavy oceanic equipment. This is significant because it gives us the opportunity to participate in creating a brand new technology. One that will undoubtedly have future applications.

Because this is a pioneering venture, we owe it to Hughes not to reveal any additional details.

Arctic Air Cushion Units

Another new project involves an odd-looking but simple unit that can haul a 100-ton payload across ice, tundra or water. We call it the Air Cushion Transporter. (Fig. 5)

This rig evolved out of a decision we made some years ago to develop methods of drilling in the Arctic. This coincided with our securing offshore exploration permits in the Canadian Arctic.

This eventually led to the formation of a joint venture with Raymond International Inc. called Arctic Engineers and Constructors. This group addressed itself to the development and marketing of air cushion drilling systems for Arctic operations as well as other Arctic support and construction services.

The program got a big shot in the arm about 1½ years ago when Sun Oil Company and the Canadian Government agreed to support it. They funded most of the cost of building this unit.

Last June we completed construction of the 100-ton capacity prototype in Edmonton, Canada. This is the heaviest air cushion unit ever built. It is a hull 57 x 75 feet, 6½ feet high. Two huge fans mounted on the deck force air into the flexible air-containment skirt around its perimeter. The nylon skirt forms a partial seal with the ground, which it never loses as it flows around and over rocks, ridges and obstacles.

On the basis of tests at Edmonton, Sun agreed to fund additional testing. So last winter we disassembled the unit and moved it to Great Slave Lake in northern Canada where the conditions of climate and ice were very similar to those of the Arctic.

This time we were interested primarily in learning how the unit interacted with various thicknesses of ice. What we wanted to know was how air pressure

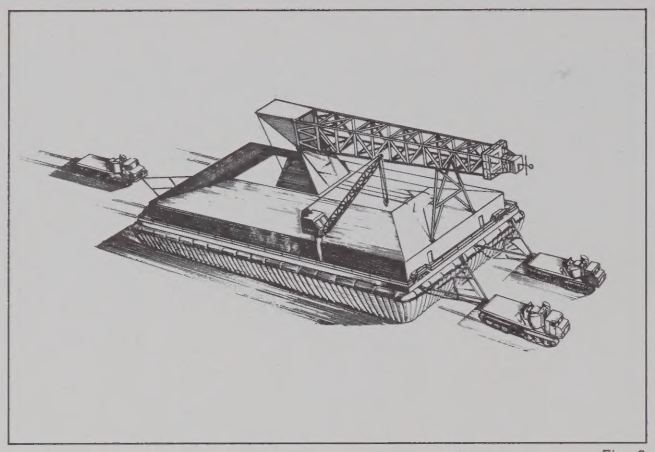


Fig. 6

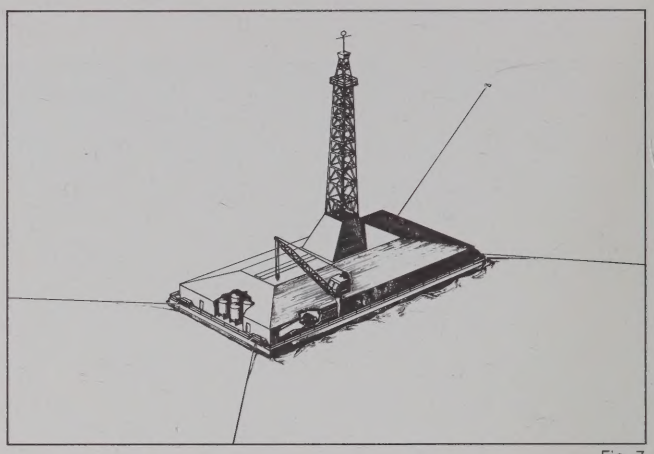


Fig. 7

affects the ice under the unit, because future units will be expected to drill within offshore ice environments.

Much of this work was done at temperatures as low as 40 below zero. We found that the unit's air pressure broke the ice layer as it moved across the lake, which is a significant achievement. These tests were concluded early in April, and we have been more than satisfied with the results.

The next step is to proceed to build and test a full-sized self-contained unit. One that has a capacity of several thousand tons and incorporates a complete drilling system, similar to those on our drilling ships. Our designs are completed and we are convinced the system will work. We are currently negotiating the scheduling of the next phase. (Fig. 6 and 7)

Our Arctic joint venture is not limited, however, to the air cushion program. We are looking at a number of concepts for improving operations in the Arctic. For example, last winter we tested a new system for improving the performance of ice breaking vessels.

Our engineers believed that if the ship could be made to pitch itself in the ice, it would exert a much greater impact. This is what we have developed. It's a pneumatically actuated pitching system.

We tested it on an ice tug on frozen Lake Michigan, and the results are encouraging. This is a long-term project, but it could very well have broad applications other than offshore drilling in the Arctic. We are now working on the design of an ice breaking drilling ship for the Arctic seas.

Gustavson

Another program related to the Arctic is Gustavson Arctic Drilling Company. This is a Canadian firm we acquired jointly with Raymond last year as a means of building a broader capability for the Arctic. Gustavson is one of the largest and most experienced drilling contractors working in the Arctic. They are a profitable and growing company.

This was one of the many acquisition prospects which has come to our attention. We look at only a few because we insist upon a strong complementary capability to our existing business.

Exploration Programs

A key part of our diversification program is seeking interests in oil, gas and mineral properties, mostly offshore.

You might ask how a company our size can expect to make any significant discoveries, when major oil and mineral firms are spending millions on exploration. Obviously we would be out of our minds to try to compete head-on.

Instead, we look for unique applications of our specialized know-how: deep water, difficult environments, remote areas. We try to be sensitive to opportunities. And willing to look at something before anybody else has an interest in it.

That's how we got into the Arctic.

Long before you could get anybody excited about the Arctic offshore, we obtained permits for several million acres on a very selective basis. This was even before the Prudhoe Bay discoveries in Alaska. Subsequently we pooled our property with that of Sun Oil, which resulted in our having a half interest in 6.5 million acres. Today there is a great deal of drilling activity in the Arctic Islands, and several oil and gas discoveries have been made.

We recently negotiated an agreement with Gulf Oil whereby they can gain up to a 50 per cent working interest in these permits. In return, they are: (1) reimbursing us for previous expenditures, (2) giving us a 7½ per cent interest in 7 million acres in Baffin Bay and in the Gulf of St. Lawrence west of Newfoundland, (3) assuming Global Marine's share of future work obligations to the extent of $8 to $11 million, and (4) underwriting our share of development expenditures up to $25 million if there are commercial discoveries.

We think this is significant progress.

North Sea

While the Arctic is long range, the North Sea is very immediate. It offers us a new opportunity for equity participation. The factor that makes it possible today is availability of our ships. In other words, we and some of our competitors are buying our way into some attractive blocks by means of rig availability.

In the North Sea, for example, the availability of our *Glomar IV* was an important factor in our obtaining a 10 per cent interest in the Quintana Group, which was recently awarded a 52,000-acre block. The Quintana Group consists of a number of British, French and American companies. For example, it includes the well known Cullen interests of Houston. The *Glomar IV* is currently drilling in block 9-17, centered in the circled area of Figure 8.

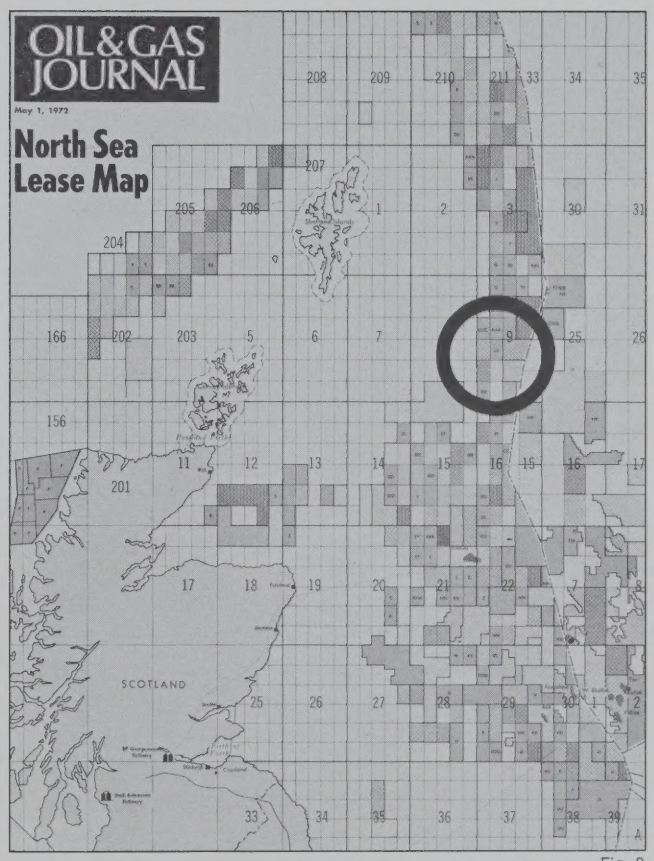


Fig. 8

Other Areas

A few months ago we acquired a 12½ per cent interest in 250,000 acres in the Gulf of Uruba, offshore Columbia. We did so by bearing 25 per cent of the cost of drilling a well. It turned out to be a dry hole, but now we own an interest in this acreage.

Last year we acquired the right to earn a 100 per cent working interest in a 30,000 square mile area offshore New Zealand. A recent gas discovery indicates the presence of hydrocarbons in a deep water area east of our block. Water depths in our block are 600 feet or more.

Some years ago, some of our offshore mineral studies led us to the discovery of a substantial deposit of nickel laterite on the Island of Luzon in the Philippines. We have spent several years surveying this deposit to deliniate its size and quality, and this work is now completed. The next step is to find partners who will fund the commercial development of this deposit. Frankly, this has taken longer than we hoped, but we continue negotiations on this program.

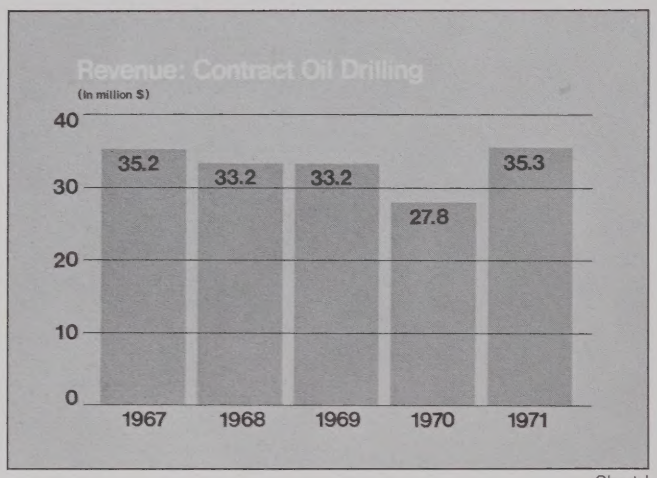


Chart I

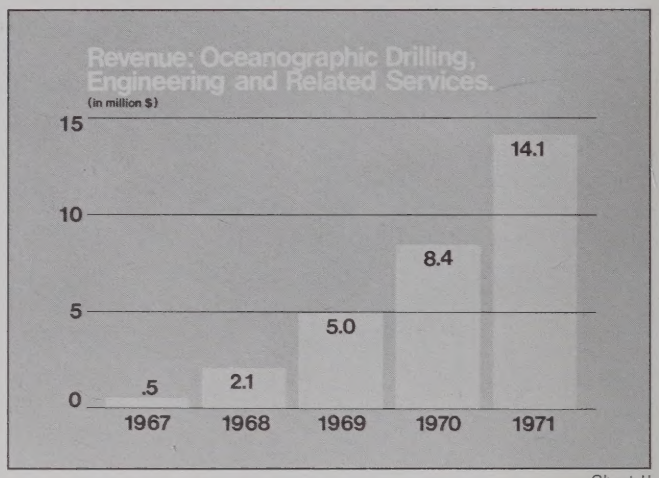


Chart II

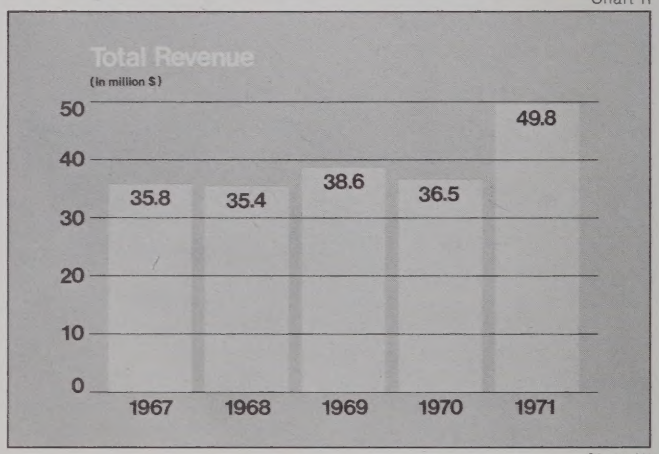


Chart III

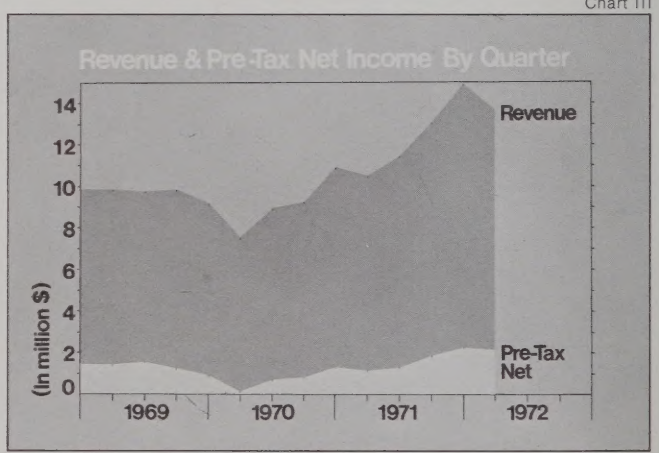


Chart IV

FINANCIAL

Until now, we have talked mostly about operations.

If you've reviewed our annual report and recent prospectus, you observed that we identified the two basic revenue sources of our business: offshore contract oil and gas drilling, and oceanographic drilling and engineering.

Contract Oil and Gas Drilling Revenue

Looking at the last five years, you see in Chart I that our contract drilling business fell off from its peak in 1967, then returned to that level last year. There are several reasons. First, 1967 was a year when we derived revenue from equipment that is no longer in our active fleet. That year we had units under charter which were subsequently returned to their owners, and we have disposed of other units. In addition, the *Cuss I* contributed revenue that year, but since the Santa Barbara oil spill, it has not been active.

In the next few years, revenue tapered off because of general softness in the market while depreciation, interest and other expenses had increased. For 1972, contract oil and gas drilling revenue should reflect stronger markets for our self-propelled units. At the end of this month, the new *Glomar Grand Banks* will begin making a contribution to revenue.

Oceanographic Drilling and Engineering Services

The growth curve of our oceanographic drilling and engineering work, Chart II, has been steadily upward over the last five years. In the early period, revenue reflected mostly the Deep Sea Drilling Project, which started in 1968. Mining project work began to contribute in 1970. As we mentioned before, maximum revenue from the mining project is expected to occur this year and in 1973.

Opportunities for additional sources of revenue in the next year or two depend on our ability to capitalize further on our ocean-oriented engineering capabilities. We are working on a number of possibilities.

Looking at total revenue, Chart III, you can see how increased revenue from oceanographic drilling and engineering tended to offset the loss in revenue from oil and gas drilling. Revenue and pre-tax net, quarter by quarter, Chart IV, show an almost steady increase since the first quarter of 1970. We see this curve continuing in that general direction.

Net Income

Our net income is directly affected by our ship operations, of course. But we recognize that it has been influenced by expenses for exploration and other developmental activities. To give you an idea of the impact of these costs, Chart V shows our income for the last five years before taxes and exploration and developmental expenses. Each year is set forth in two ways. The bar on the left shows our income before taxes and exploration and

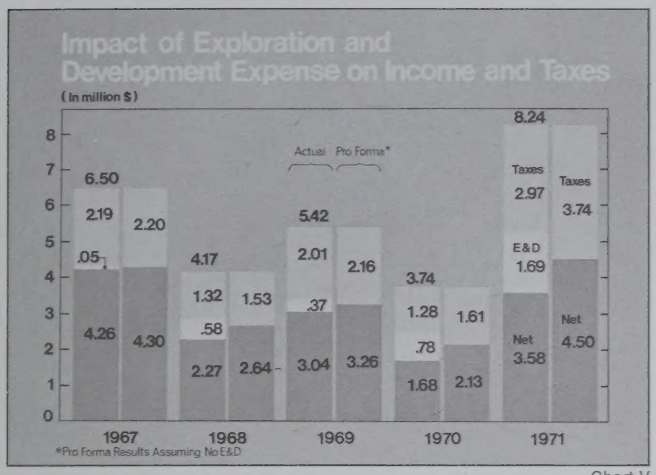


Chart V

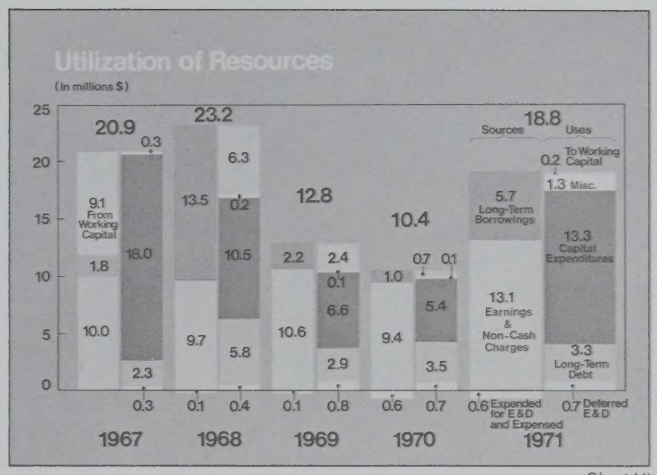


Chart VI

development expenses. The bar on the right indicates what net income and taxes might have been — had we not spent any money on these activities.

In planning developmental programs, we keep alert to our current earnings picture and govern these commitments accordingly. We feel we got the Deep Sea Drilling Project largely because we had spent time and money over the years pioneering the development of deep water operations.

We believe we got the deep ocean mining project for the same reasons. While we have always retained engineers, naval architects, and other technical specialists to support our drilling work, they have also been working to develop future value. This was, and is, our investment in anticipating tomorrow's opportunities. We believe this investment has paid off.

There's another factor behind our decision to invest in exploration and engineering development. Certainly we could have generated a more immediate return in more conservative directions. But we think our chances of getting a much higher multiple of return are reasonable and practical. We recognize our resources are limited. But we feel we have a unique opportunitiy to gain footholds in new fields.

Cash Flow

These investments are programmed in terms of our cash generating capacity, Chart VI. For each of the last five years, the bar on the left indicates sources of our funds, while the bar on the right shows the uses of these funds. In 1971, for example, the business generated funds of about $13.1 million, while $5.7 million was derived from long-term borrowings and other miscellaneous sources. The $0.6 million below the base line indicates funds expended for exploration and development and expensed.

Now look at where these funds went. Starting at the bottom of the right bar, $0.7 million represents deferred E & D expenses, $3.3 went to repay long-term debt, $13.3 million for capital expenditures, $1.3 million for miscellaneous and $0.2 million to working capital.

In other words, our cash flow has been more than adequate to run the current business; to finance our investment in the future; and provide us with a strong base for long term financing.

Our philosophy of a balanced program of investments is simple. We strive for three kinds of return: near term, intermediate and long term. We get immediate return, for example, on our investment in oceanic software. When a project is awarded, we go to work immediately and start generating revenue. Capital investment is very small.

By intermediate, we're talking one to two years. This would include new ships, as an example. These projects take large capital investments.

Long term, on the other hand is five years or more. And it consists of projects such as Arctic acreage and Philippine nickel. Obviously the long term investment must offer the chance of a big reward to justify the investment.

Deferred Charges

Here are the assets represented by these long term programs: oil and gas permits totaling more than 20 million net acres. A laterite nickel deposit of more than 90 million tons. New concepts for working in the Arctic. A capability to operate in deep water and in a variety of difficult environments.

Now, what is the value of all these assets? Reflecting what we believe to be conservative accounting, the oil and gas and mineral assets, for example, are carried on our balance sheet at a net value of only $1,161,000.

Thank you, gentlemen. That concludes our formal presentation.

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